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**General**

1. Are you in general agreement with the payment system gaps and opportunities identified in the "Payment System Improvement Public Consultation Paper"? Please explain, if desired.

**Yes. Banks charge outrageous fees for wire transfers and credit card transactions. Small businesses and consumers often cannot afford to pay these fees and are forced to rely on paper checks for cost effectiveness. For larger businesses, e-commerce often requires costly upgrades to company software or is not compatible at all with current methods.**

1i. What other gaps or opportunities not mentioned in the paper could be addressed to make improvements to the U.S. payment system?

2. Are you in general agreement with the desired outcomes for payment system improvements over the next 10 years? Please explain, if desired.

**Yes. The desired outcomes targeting the safety of personal information and near-real-time transactions are very good focuses.**

2i. What other outcomes should be pursued?

**There will always be criminal activity present on-line so why hasn't anyone addressed proposed deterrences or penalties of such actions?**

3. In what ways should the Federal Reserve Banks help improve the payment system as an operator, leader, and/or catalyst?

**Be the perfect model for the rest of the country. Create a near-perfect process for the Federal Reserve Banks and show how it can be duplicated. The key is to lead by example.**

**Ubiquitous near-real-time payments**

4. In discussions with industry participants, some have stated that implementing a system for near-real-time payments with the features described in the second desired outcome (ubiquitous participation; sender doesn't need to know the bank account number of the recipient; confirmation of good funds is made at the initiation of the payment; sender and receiver receive timely notification that the payment has been made; funds debited from the payer and made available in near real time to the payee) will require coordinated action by a public authority or industry group. Others have stated that current payment services are evolving toward this outcome and no special action by a public authority or industry group is required.

4i. Which of these perspectives is more accurate, and why?

**The former is more accurate. You must provide an incentive or deadline for all current payment services to evolve, otherwise consumers are going to find that they are stuck with a financial institution that doesn't see any need to evolve along with the competition. Banks will be able to provide ambiguous or procrastinating answers to both customers and authorities without any firm commitment to improve their processes in a way that is not price-gouging the customer.**

4ii. What other perspective(s) should be considered?

**Penalties for e-commerce crimes committed and other deterrents.**

5. The second desired outcome articulates features that are desirable for a near-real time payments system. They include:

- a. Ubiquitous participation
- b. Sender doesn't need to know the bank account number of the recipient
- c. Confirmation of good funds is made at the initiation of the payment
- d. Sender and receiver receive timely notification that the payment has been made
- e. Funds debited from the payer and made available in near real time to the payee

5i. Do you agree that these are important features of a U.S. near real-time system? Please explain, if desired.

**Yes.**

5ii. What other characteristics or features are important for a U.S. near real-time system?

**Affordability. If the aforementioned processes are priced out of reach of the average consumer then the improvements were made for nothing. Most banks/financial institutions will try pass on the costs for reliable, near-real-time transactions to the retailer or consumer.**

6. Near-real-time payments with the features described in the second desired outcome could be provided several different ways, including but not limited to:
- a. Creating a separate wire transfer-like system for near-real-time payments that leverages the relevant processes, features, and infrastructure already established for existing wire transfer systems. This option may require a new front-end mechanism or new rules that would provide near-real-time confirmation of good funds and timely notification of payments to end users and their financial institutions.
  - b. Linking together existing limited-participation networks so that a sender in one network could make a payment to a receiver in another network seamlessly. This option may require common standards and rules and a centralized directory for routing payments across networks.
  - c. Modifying the ACH to speed up settlement. This option may require a new front-end mechanism or new network rules that would provide near-real-time confirmation of good funds and timely notification of payments to end users and their financial institutions. Payments would be settled periodically during the day.
  - d. Enhancing the debit card networks to enable ubiquitous near-real-time payments.
  - e. Implementing an entirely new payment system with the features described in the second desired outcome above.

6i. What would be the most effective way for the U.S. payment system to deliver ubiquitous near-real-time payments, including options that are not listed above?

**Solicit bids directly from software companies asking for their proposals. I would suggest you NOT consider any consulting firms or any brokers/middle-men. Solicit directly from the software companies themselves.**

6ii. What are the likely pros and cons or costs and benefits of each option? What rule or regulation changes are needed to implement faster payments within existing payment processing channels?

6iii. Is it sufficient for a solution to be limited to near-real-time authorization and confirmation that good funds are on their way, or must end user funds availability and/or interbank settlement take place in near-real time as well?

**That would depend upon the recourse that the law allows the seller if the funds are non-sufficient or fraudulent activity occurs against them.**

6iv. Which payment scenarios are most and least suitable for near real-time payments? (B2B, P2P, P2B, POS, etc.)

**Most: B2B and POS Least: P2P, P2B**

7. Some industry participants have said that efforts to make check payments easier to use, such as by enabling fully electronic payment orders and/or by speeding up electronic check return information, will incrementally benefit the payment system. Others argue the resources needed to implement these efforts will delay a shift to near-real-time payments, which will ultimately be more beneficial to the payment system. Which of these perspectives do you agree with, and why?

The later scenario. Banks will already drag their feet to change their e-commerce operations. You might as well wait for the most beneficial, near-real-time payments than wait for them to upgrade from obsolete to semi-obsolete current checking processes.

8. How will near-real-time payments affect fraud issues that exist with today's payment systems, if at all?

Hopefully it will reduce the ability for the customer to "bounce checks" the retailer.

8i. Will near-real-time payments create new fraud risks? If yes, please elaborate on those risks.

No

9. To what extent would a ubiquitous near-real-time system bring about pivotal change to mobile payments?

It would certainly improve processes for the construction industry which is heavily reliant upon lien waivers used to release rights to mechanic's liens. The waivers declare that rights are being waived upon receipt of funds but if the check bounces, the issuer is often left unsecured and with no leverage to collect their monies owed on a particular job. Near-real-time transactions would allow the issuer to receive confirmation that the funds are available prior to issuing the lien waiver.

10. What would be the implication if the industry and/or the Federal Reserve Banks do not take any action to implement faster payments?

We would remain in the same financial state (as a country) as we are in right now while other countries continue to expand. We may even digress a bit.

10i. What is the cost, including the opportunity cost, of not implementing faster payments in the United States?

The biggest implication would be our missing out on the huge strides our economy would make on both a commercial and private level. The proposed improvements would stimulate growth from the GDP all the way down to the private citizen purchasing their Christmas presents. Home mortgage transactions would be streamlined as would businesses selling to foreign customers. We will continue to miss out on all of these financially stimulating opportunities until implementation is made. The actual dollar value is incalculable.

11. To what extent will the industry need to modernize core processing and other backend systems to support near-real-time payments?

11i. What is the likely timeframe for any such modernization?

12. Some industry participants suggest that a new, centralized directory containing account numbers and routing information for businesses and/or consumers, to which every bank and other service providers are linked, will enable more electronic payments. A sender using this directory would not need to know the account or routing information of the receiver.

12i. What are the merits and drawbacks of this suggestion?

The merits would be convenience, speed and privacy. The drawback would be susceptibility. What if that database was hacked into or went down?

12ii. What is the feasibility of this suggestion?

Unfortunately, this will be shunned by many businesses and consumers unless you are willing to both educate and assure them of your directory's usage abilities and safeguards.

### **Electronification**

13. Some industry participants say that check use is an enduring part of the U.S. payment system and that moving away from checks more aggressively would be too disruptive for certain end users.

13i. Is accelerated migration from checks to electronic payment methods a high-priority desired outcome for the U.S. payment system? (Accelerated means faster than the current trend of gradual migration.) Please explain, if desired.

Yes. The longer we hang on to checks and put off migration to e-commerce, the longer we will continue to miss out on the enormous financial benefits available to our economy. Checks are the "Beta VCR" of the 21st century. The nostalgic end users will learn to adapt.

13ii. Should the Federal Reserve Banks establish a target for the percent of noncash payments to be initiated via electronic means, by a specific date? For example: "By the year 2018, 95% of all noncash payments will be made via electronic means." If Yes, what is the appropriate target lever and date?

Yes. 90% by 2016

14. Business-to-business payments have remained largely paper-based due to difficulties with handling remittance information. Consumer bill payments also are heavily paper-based due to the lack of comfort some consumers have with electronic alternatives. In addition, many small businesses have not adopted ACH for recurring payments due to technical challenges and/or cost constraints. The payment industry has multiple efforts underway to address these issues.

14i. To what extent are these efforts resulting in migration from checks to other payment types?

What efforts? I am not familiar with any formal efforts.

14ii. What other barriers need to be addressed to accelerate migration of these payments?

1. Consumer rights - Many websites state that by using on-line payment systems that you must agree to their terms and conditions. Many of these are impossible for the common consumer to understand and too long to read. Some terms and conditions state that by using their site that the "seller" reserves the right to debit the customer's bank if they are late on payment (i.e. car loans, HOA payment sites). Regulations need to be put in place to curb this. 2. Fees - Migrating people to use e-commerce and then charging them a fee when they comply is ridiculous. Please don't do that.

14iii. What other tactics, including incentives, will effectively persuade businesses and consumers to migrate to electronic payments?

Educating them on how the process works and why it's safe. Unlike the healthcare.gov fiasco, the process should be a surprise to no one. Promote the plan and it's safeguards on tv, radio, social media, etc. Also, tightening penalties on cyber-crime and identity theft would help reassure the public of the plans safety.

14iv. Which industry bodies should be responsible for developing and/or implementing these tactics?

### **Cross-border Payments**

15. To what extent would the broader adoption of the XML-based ISO 20022 payment message standards in the United States facilitate electrification of business payments and/or cross-border payments?

16. What strategies and tactics do you think will help move the industry toward desired outcome four - consumers and businesses have greater choice in making convenient, cost-effective, and timely cross-border payments?

**Lower fees and near-real-time funds transfers. Also, not having to provide bank information to receive funds.**

### **Safety**

17. Payment security encompasses a broad range of issues including authentication of the parties involved in the transaction, the security of payment databases, the security of software and devices used by end users to access payment systems, and security of the infrastructure carrying payment messages.

17i. Among the issues listed above, or others, what are the key threats to payment system security today and in the future?

**A database breach in which financial information is compromised.**

17ii. Which of these threats are not adequately being addressed?

17iii. What operational or technology changes could be implemented to further mitigate cyber threats?

18. What type of information on threat awareness and incident response activities would be useful for the industry?

18i. How should this information be made available?

19. What future payment standards would materially improve payment security?

19i. What are the obstacles to the adoption of security-related payment standards?

20. What collaborative actions should the Federal Reserve Banks take with the industry to promote the security of the payment system from end to end?

21. Please share any additional perspectives on U.S. payment system improvements.



